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EMPLOYMENT: For the first time in 9 months, Trend employment in Cairns lifted very slightly and the Trend unemployment rate in Cairns is 4.5%. **MORE > Pages 3 - 5**

BUILDING APPROVALS: Trend regional building approvals continue to drift a little lower and are now down 33% for the year. However, the Trend remains a little higher than it had been prior to the impact of the pandemic being felt. **MORE > Page 7**

TOURISM: April saw another solid move higher in passenger numbers through the Cairns Airport with increases for both domestic and international. **MORE > Pages 8-9**

REAL ESTATE: Recent hikes in interest rates still appear to be having little impact on real estate price levels in Cairns, with both houses and units recording annual increases of 9-10%. **MORE > Pages 10-12**

UNEMPLOYMENT RATE

3.6%	3.8%	4.5%
NATIONAL	QLD	CAIRNS

PEOPLE EMPLOYED

13,878,900	2,799,200	137,000
NATIONAL	QLD	CAIRNS

PROPERTY PRICES

↑ \$299,000	↑ \$480,000
+9% y/y	+10% y/y
UNITS	HOUSES

MEDIAN RENTS

↑ \$406 P/W	↑ \$486 P/W
+6% y/y	+1% y/y
2-BED UNIT	3-BED HOUSE

AIRPORT PASSENGERS

422,000	↓	373,631
APR '19		APR '23
CAIRNS AIRPORT		

BUILDING APPROVALS

77 APPROVALS IN MARCH

↓ -33%

YEAR-ON-YEAR

All data relates to Cairns unless otherwise stated.
The most current data set available before publication is used throughout The Cairns Report.
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CAIRNS REPORT

A monthly snapshot of the Far North Queensland economy

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Cover: Cairns waterfront.
Pic: Belle Property Cairns

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For the first time in 9 months Trend employment in Cairns lifted very slightly in April (+100).

We must note however that full-time employment actually decreased 300 with part-time employment adding 400. That shift from full-time to part-time is coming almost exclusively from the female cohort where full-time positions fell 400 with a 500 lift in part-time.

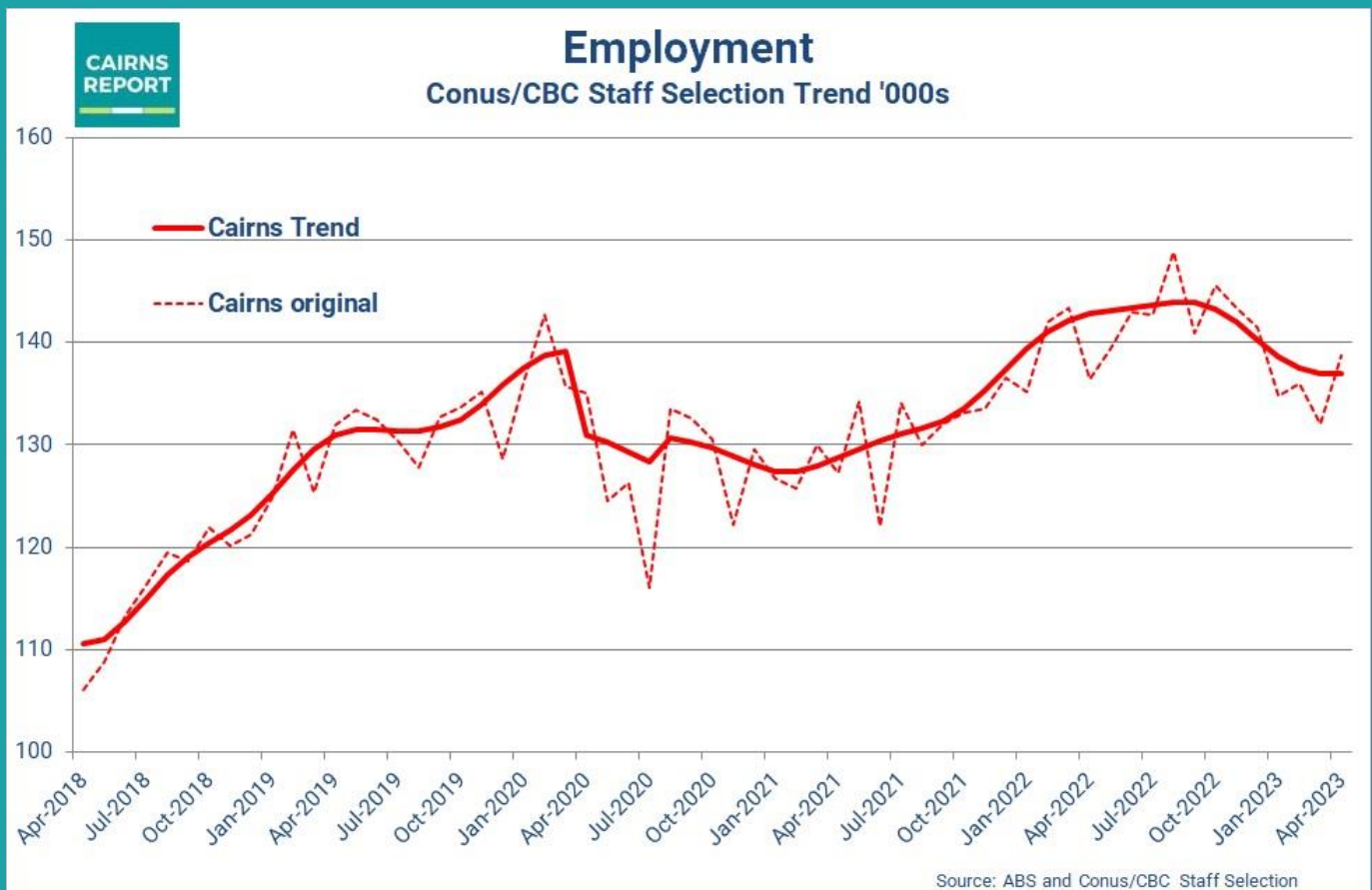
On a national level, our preferred Trend series registered another 24,000 increase. Hours worked per capita also improved and hit levels not seen since September 2008. Nevertheless, it is clear that the tightness in the labour market is starting to ease and Trend

PEOPLE EMPLOYED

13,878,900	2,799,200	137,000
NATIONAL	QLD	CAIRNS
↑	↑	↑
LAST MONTH		
13,854,900	2,793,900	136,900

employment growth, at +2.6% y/y, is at its slowest pace since early 2021.

Queensland too saw seasonally adjusted employment drop but the Trend series showed a reasonable increase (+5,300). Although employment continues to hit new highs, hours worked per capita improves, and full-time employment increases it is clear the market is starting to ease.






In Cairns, once again, a drift lower in the participation rate (particularly among women) has mitigated against any significant move higher in the unemployment rate despite the lacklustre employment growth noted on previous page.

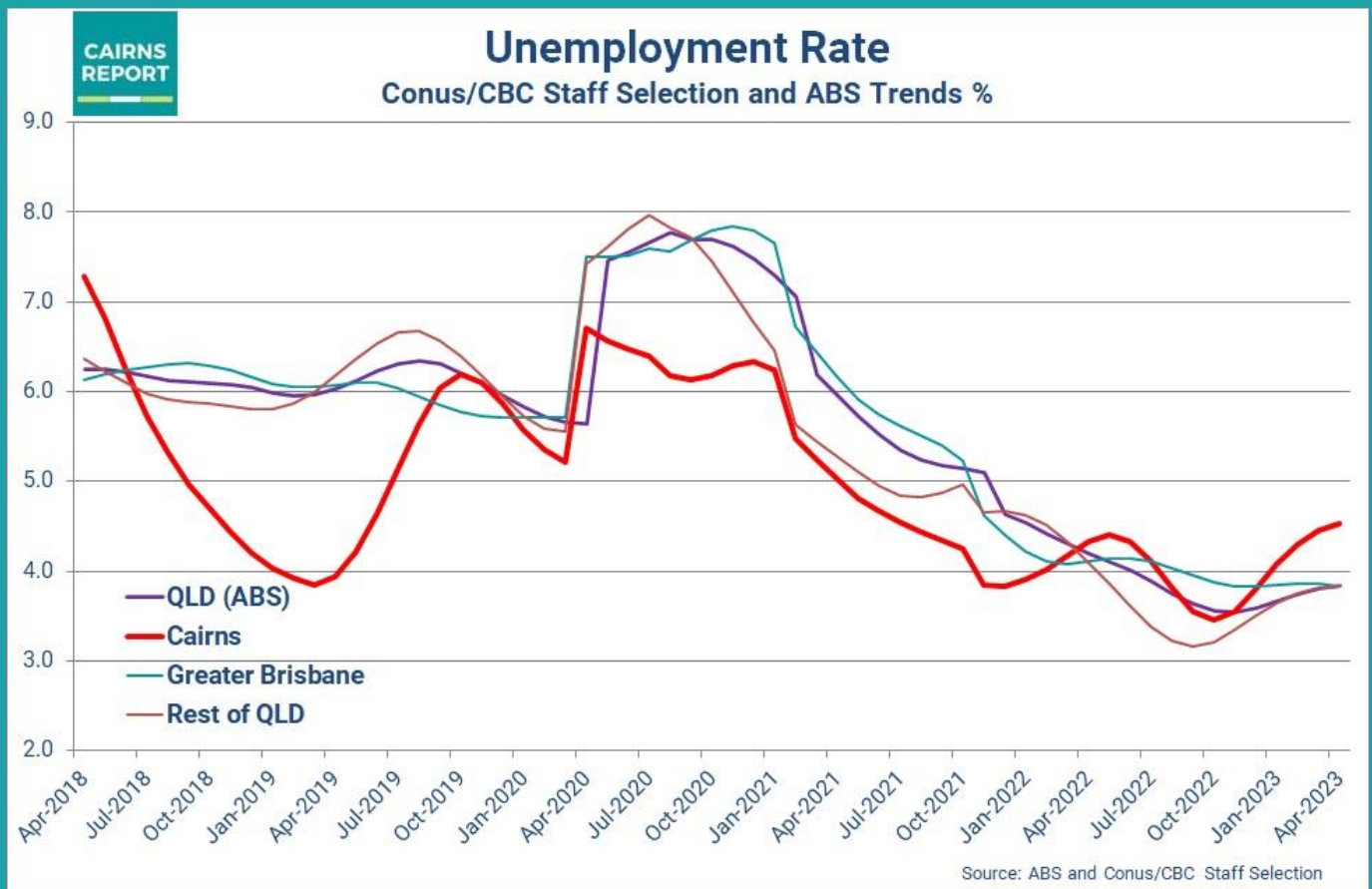
After some revisions to previous months, which saw the Trend unemployment rate in March revised down to 4.4% (from 4.6%), the Trend unemployment rate in Cairns in April sat at 4.5%.

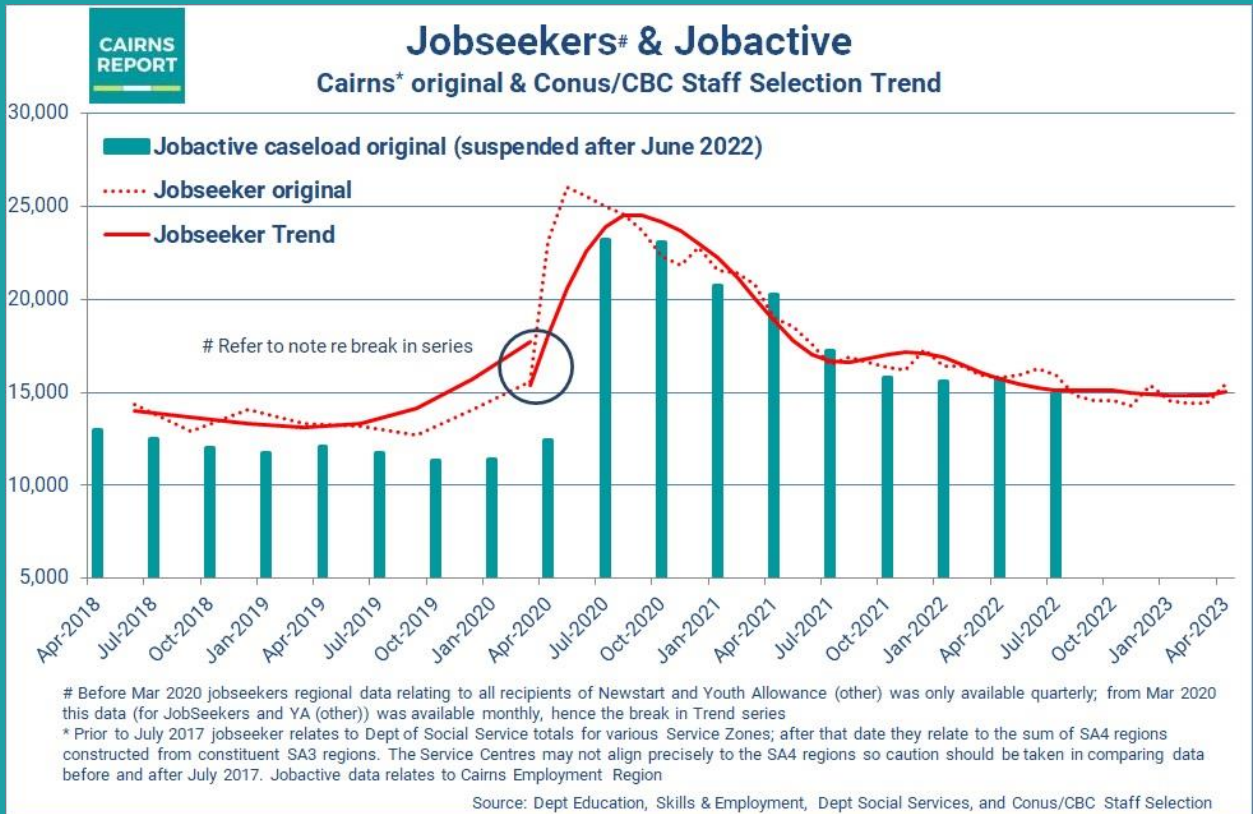
Despite the additions to female part-time jobs in April, the fact remains that over the course of the year female part-time employment is down 9,200 while full-time has added just 5,400.

UNEMPLOYMENT RATE

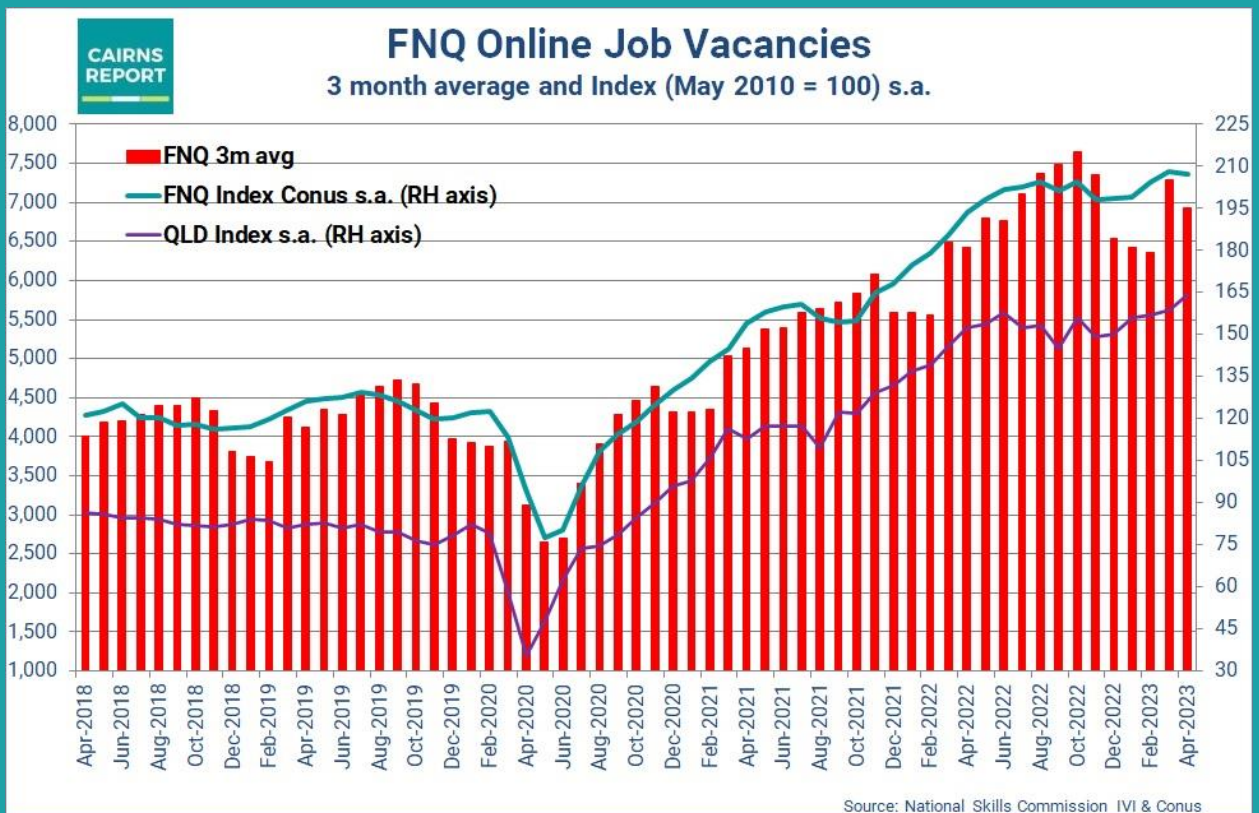
3.6%	3.8%	4.5%
NATIONAL	QLD	CAIRNS
		
	LAST MONTH	
3.6%	3.8%	4.4%

A quite sharp decline in female participation over the last 12 months means that, despite these jobs losses, the Trend female unemployment rate remains at just 3.6% while for males it has lifted to 5.4% in spite of some employment gains over the year in this cohort; the reason being that the participation rate for males has only moved slightly lower.





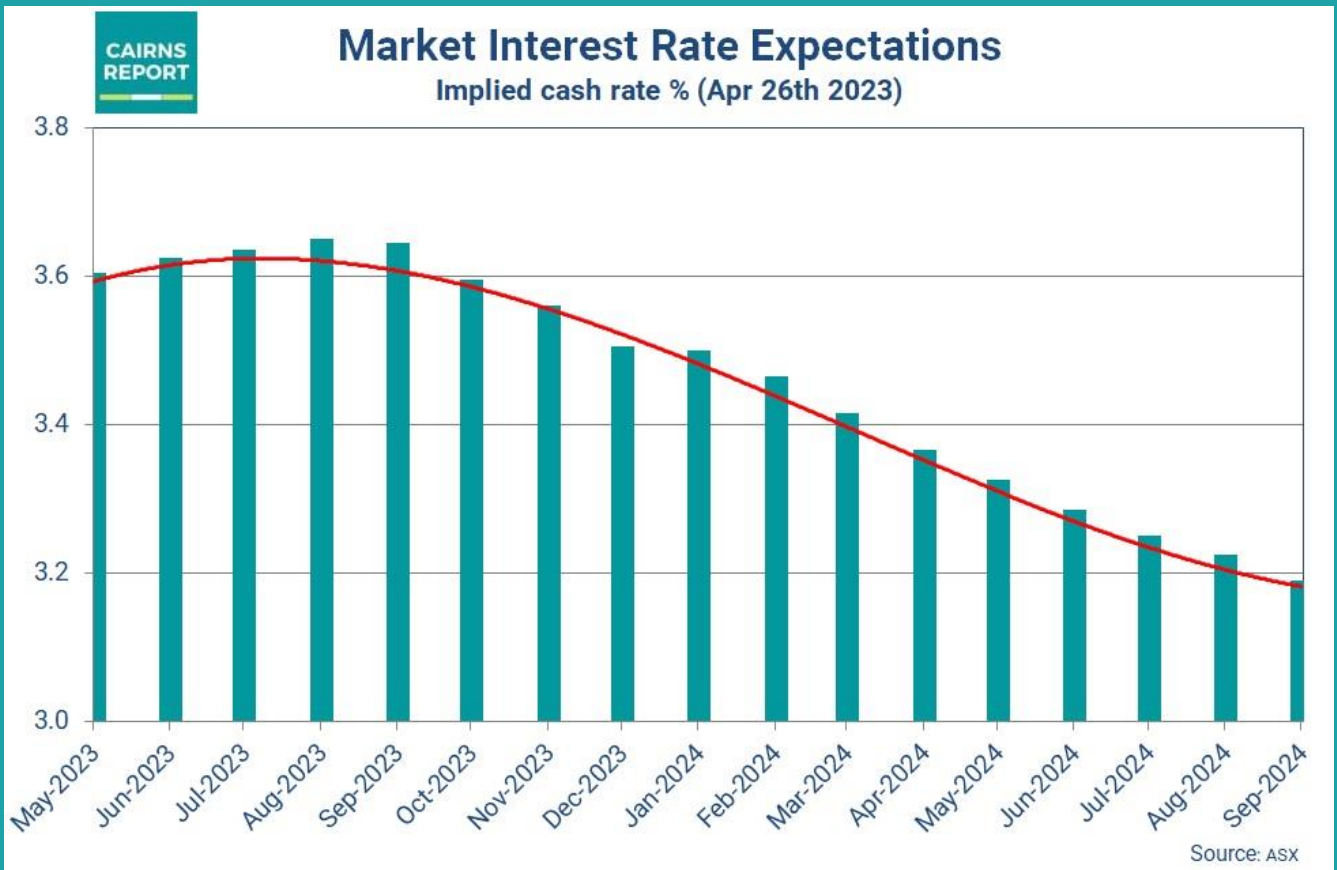
JobSeeker numbers in the region lifted slightly in April, although the Trend suggests that things have been very stable for the best part of a year. The Trend for Online Job Vacancies also remains close to record highs despite a very small dip this month.



We noted last month that the level of inflation recorded in the March quarter, despite having fallen, was no impediment to the RBA raising rates once again.

And so it did again (by 25bps) at its meeting on Tuesday 6th June, following the surprising hike of 25bps at the RBA meeting in April.

The markets are projecting that rate cuts could start as early as the first quarter of 2024 and be 40bps below their present level by the end of next year.



Our estimate of trend regional building approvals continues to drift a little lower (77 in March) and is now down 33% for the year.

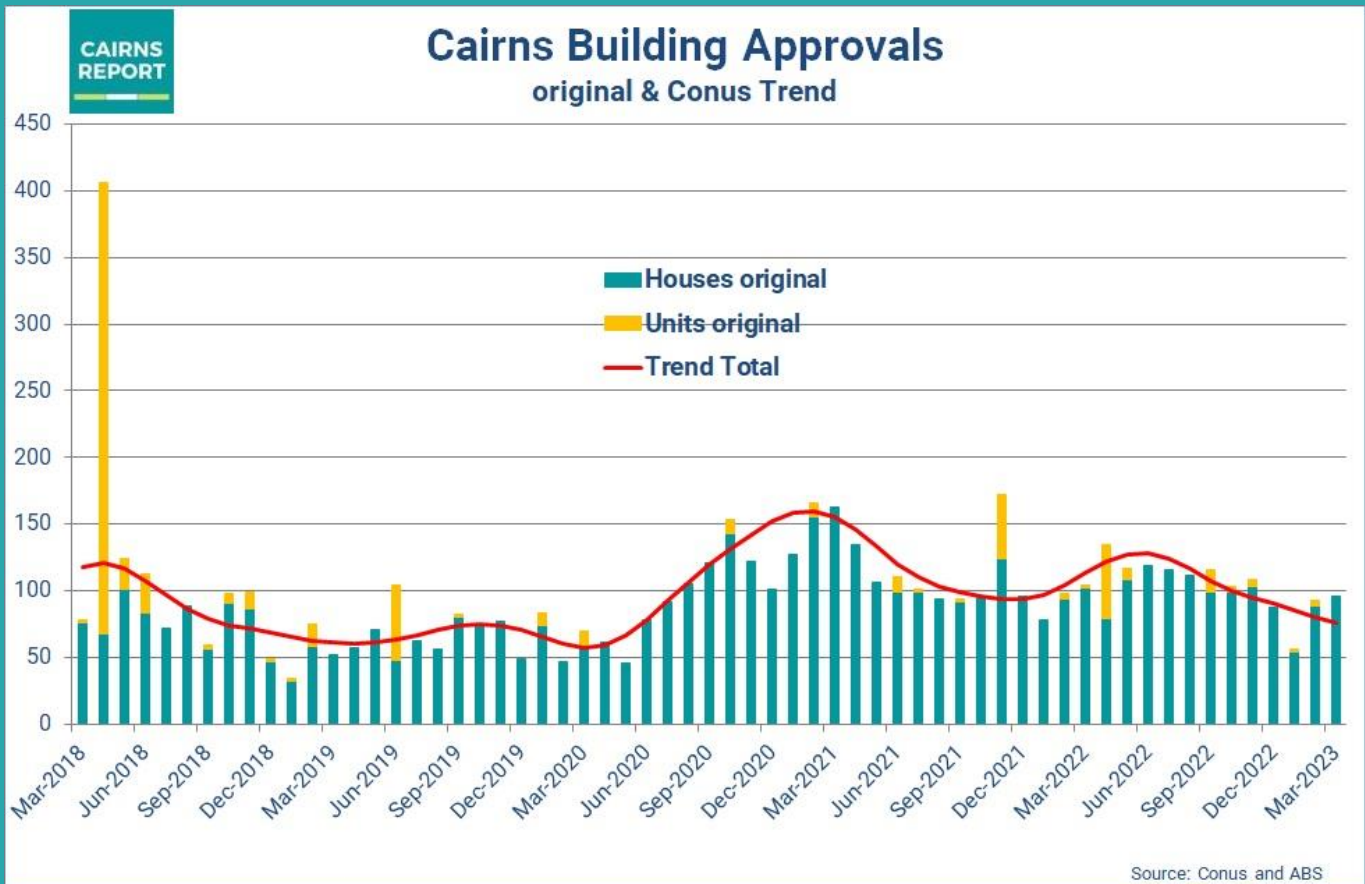
However, the Trend remains a little higher than it had been prior to the impact of the pandemic being felt. It certainly seems clear that the series of interest rate hikes we've seen over the recent year are starting to impact approvals in Cairns.

HOUSES

▼ -33%

Building approvals change year-on-year
Latest trend approvals = 77

Nevertheless, the pipeline of approvals built up over the past 12 months remains quite robust and will support the sector throughout at least the rest of this year.

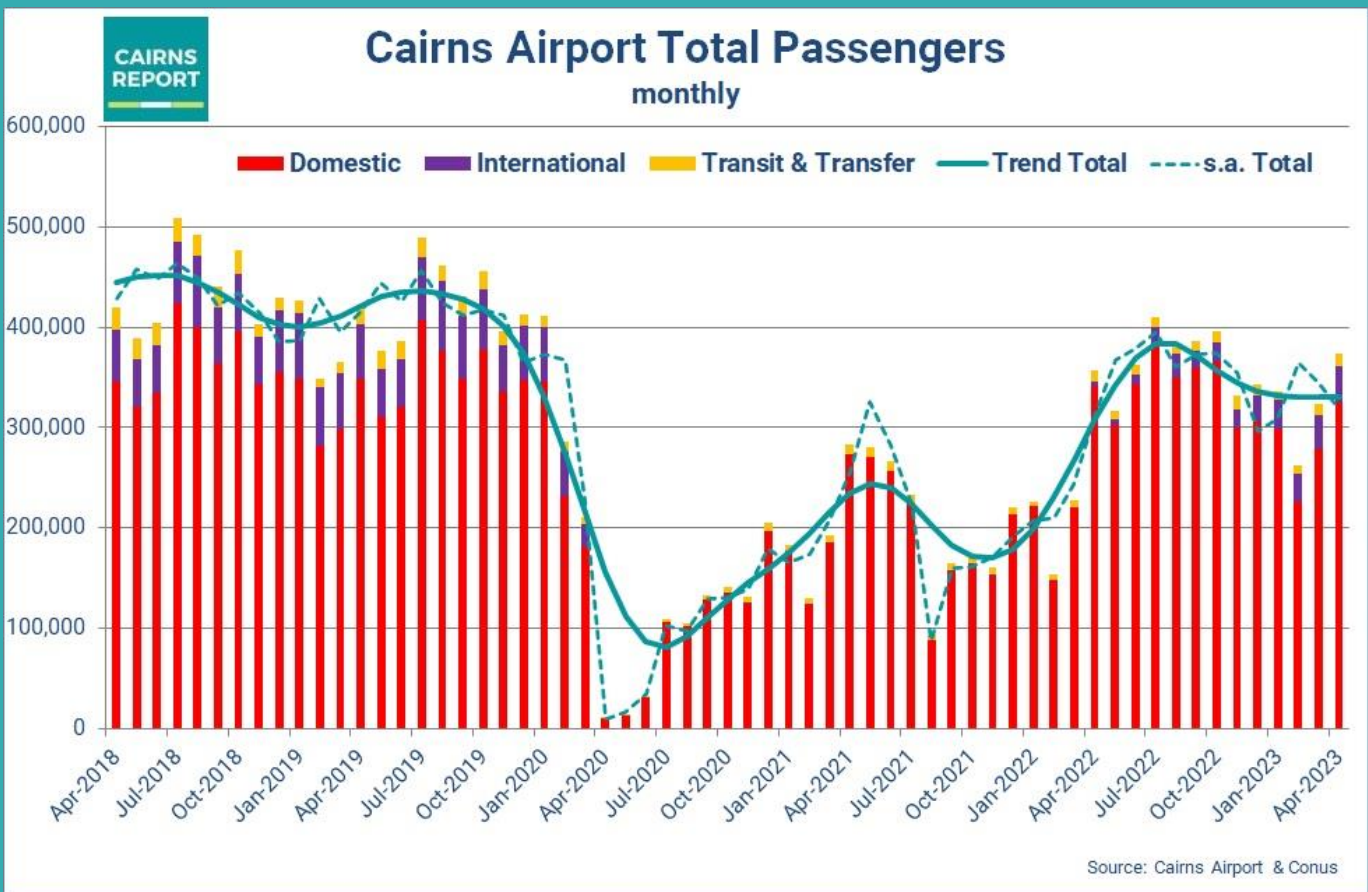


April saw another solid move higher in passenger numbers through the Cairns Airport with increases for both domestic and international.

However, the Trend series appears not to be reacting to these raw data improvements and remains around 330,000 per month (or 90,000 below the same month in 2019) which suggests that the Improvements in March and April may simply be seasonal effects rather than a genuine improvement to the trajectory. Clearly most of this short-fall is

from the international sector where passenger numbers, despite having recovered quite strongly, remain about 35% below their pre-COVID levels. We noted last month that the recovery to 'normal' at the Airport was still a work in progress; that comment holds true again this month.

PASSENGERS
422,000 ▼ **373,631**
 APR '19 APR '23



The monthly overnight domestic tourism data to February 2023 shows domestic tourism expenditures across Australia remain strong.

The national annual figure for the previous 12 months is 32% above that seen in the year prior to the COVID pandemic (year to February 2020). Queensland has been a particularly strong performer over the past few years and domestic tourism expenditure for the past 12 months now sits 49% higher than it was for the last pre-COVID year. Regional Queensland has

performed even better and in the 12 months to February total domestic expenditure was 57% above the level for the year to February 2020. When we get the detailed quarterly data for domestic tourism expenditure in the March 2023 quarter (not due for a few weeks yet) it seems likely that TNQ will, once again, have performed well. The question will be how has international tourism recovered? And, as noted above, the Airport data tells us the answer to that question is likely to be “not very quickly”.



The 25bps hike in interest rates in May still appears to be having little impact on real estate price levels in Cairns, with both houses and units recording annual increases of 9-10%.

We keep saying that each successive rate hike may finally start a declining trend in the region, but at least to date that still hasn't happened. We will wait and see what the impact of the latest rate hike on June 6th will be over coming months. As we note in our commentary on Building Approvals earlier in this issue, the

rate hiking cycle does appear to be at, or close to, the peak in rates so it is becoming more and more likely that the Cairns real estate market will ride-out the hiking cycle with only minimal damage.

MEDIAN PRICES

▲ \$299,000 ▲ \$480,000

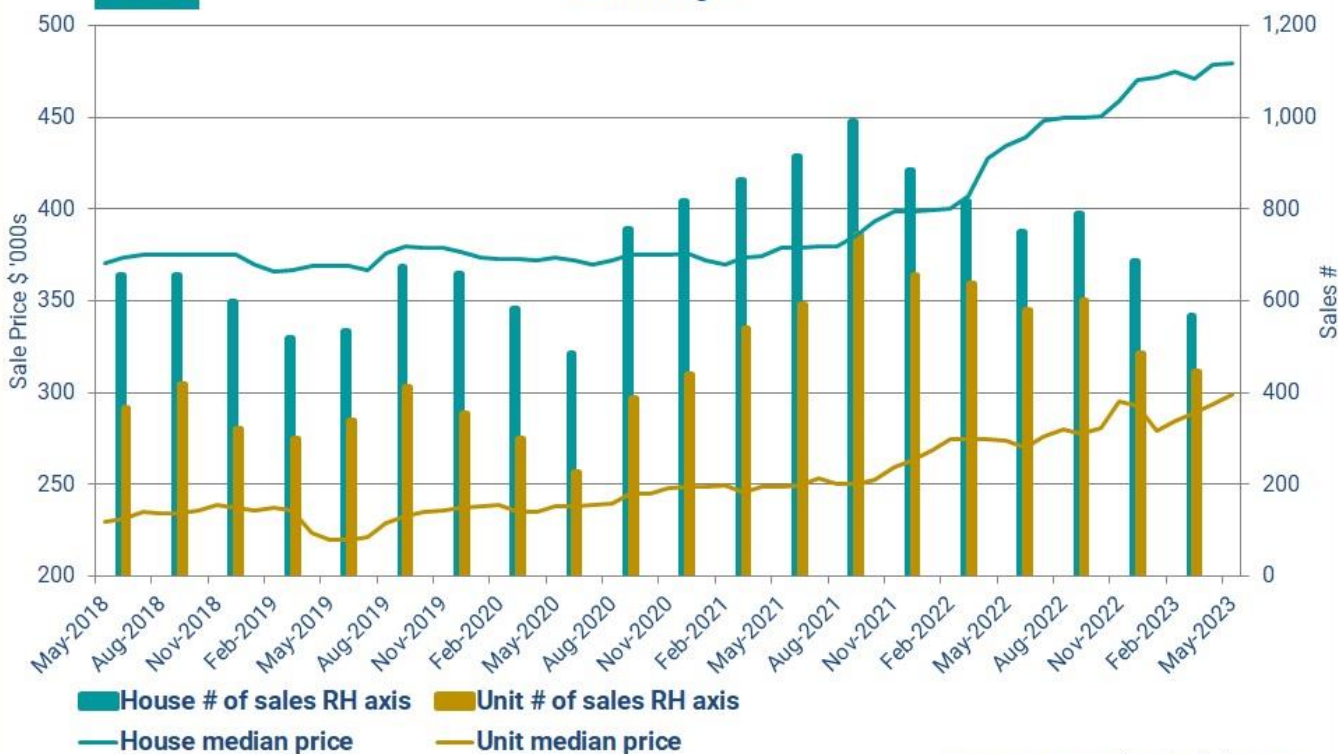
UNITS
+9% y/y

HOUSES
+10% y/y

Source: SQM Research

Real Estate; Sales and Prices

Cairns region



Source: SQM Research & Pricefinder.com.au



RENTAL VACANCY RATE

The rental vacancy rate, despite a slight easing over recent months, remains very tight at just 0.9%.

Rental vacancy rates in Cairns haven't been more than 1% since March 2021.

0.9%

APR '23

0.7%

APR '22

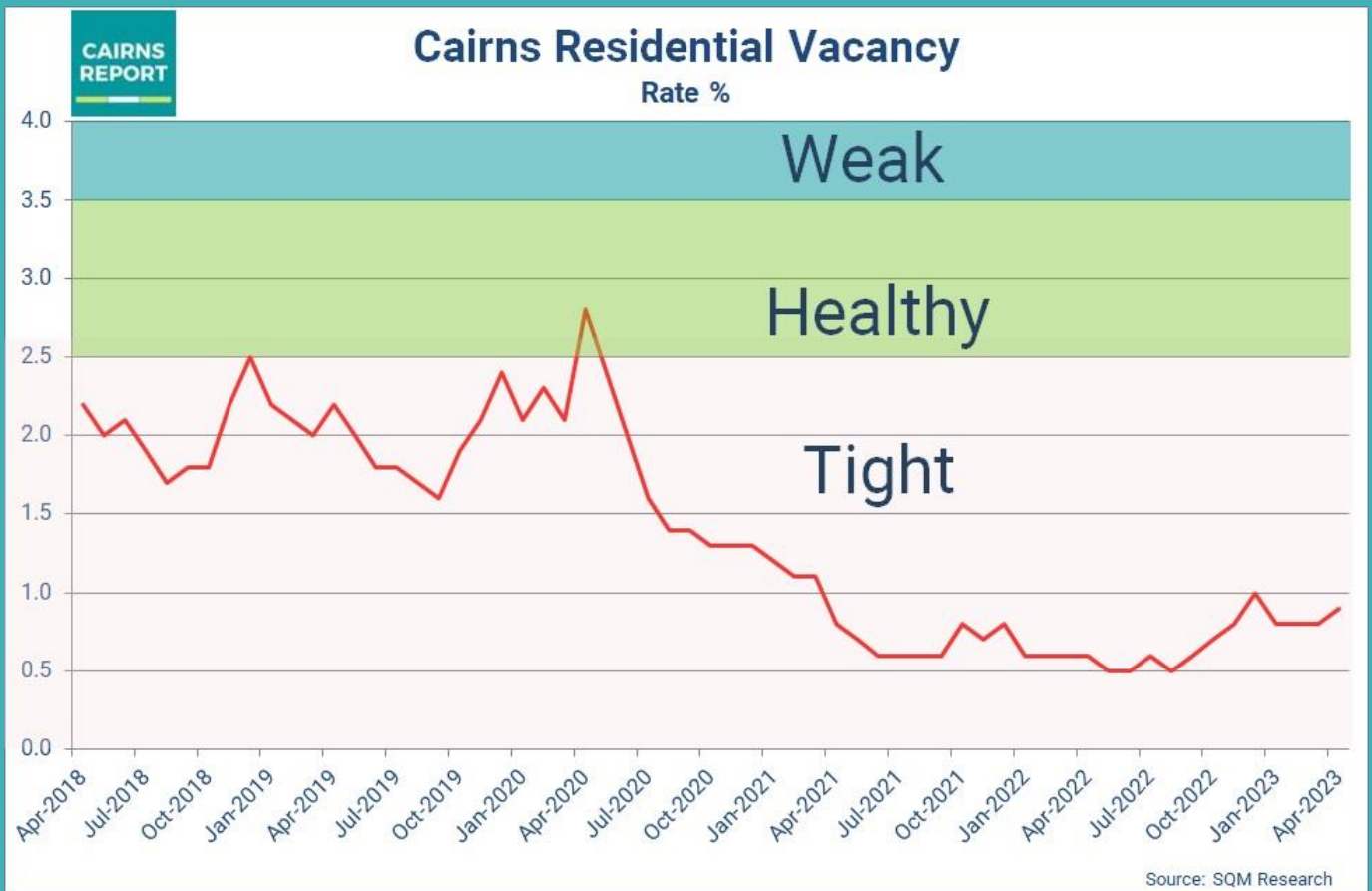
3.2%

APR '20

2.3%

APR '18

Source: SQM Research



Rents for 3-bedroom houses appear to have fallen somewhat this month (although they are still slightly higher than a year ago), but it might be that this is simply statistical 'noise' in May. Even if that does turn out to be the case it is clear that the rapid upward trend in house rents has at least stabilised over the past 6 months. Unit rents, on the other hand, have once again moved

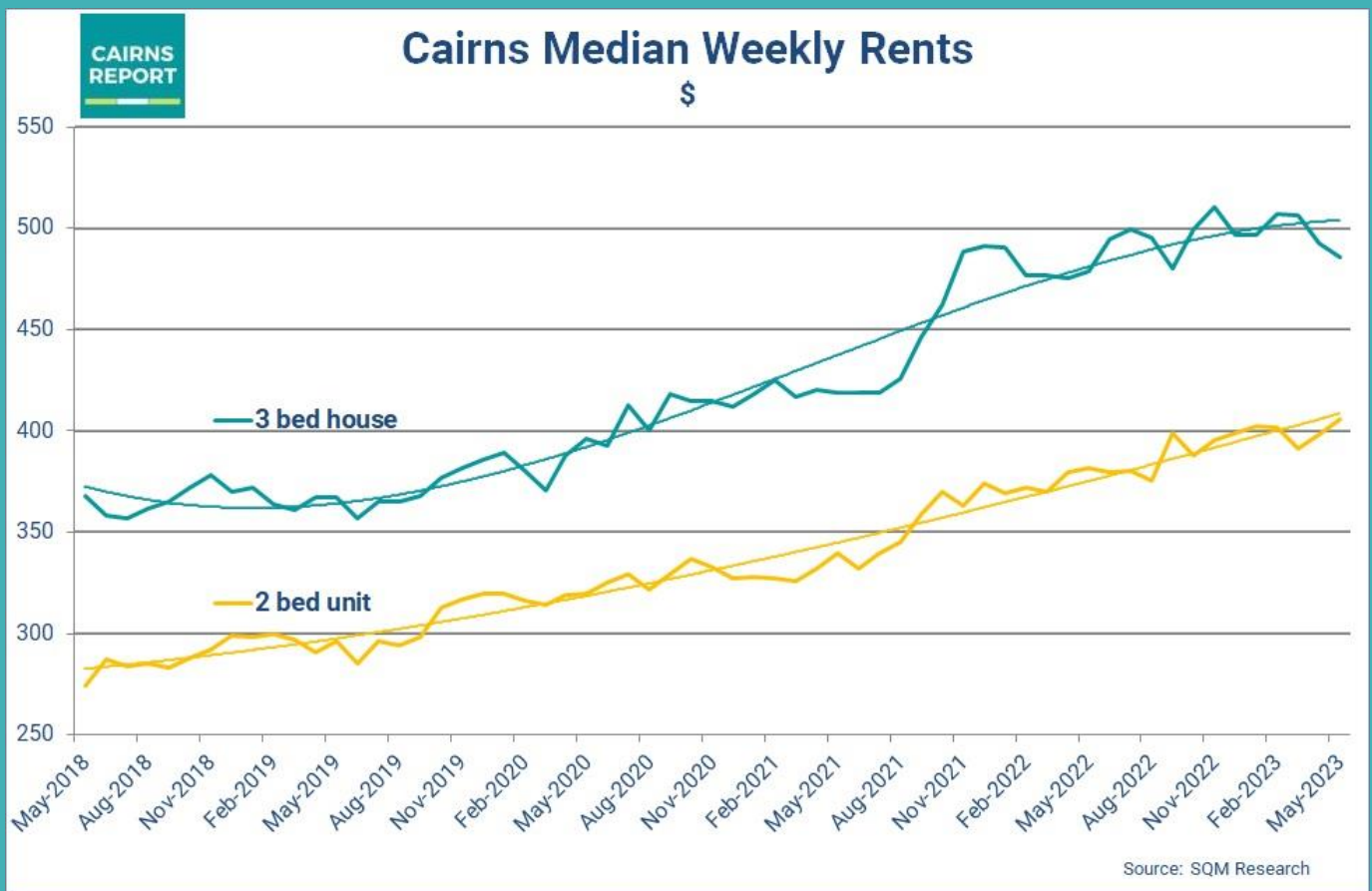
back above \$400pw for 2-bedroom units and now sit 6% above their level of a year ago. The tight rental market is clearly every much in play still.

MEDIAN RENTALS

 **\$406**
UNITS p/w
+6% y/y

 **\$486**
HOUSES p/w
+1% y/y

Source: SQM Research





Almost 20 years ago to the day, I moved to Port Douglas from Sydney to work for Belle Property as an employee, running an off-plan development called "Havana." In 2005, I opened my own office in Lake St, Cairns City (where BOQ is today), so I have been an agency Principal for 18 years here, and at 48 (soon!), I'm pretty sure that's the longest tenure of any real estate business owner in Cairns. I'm not certain what this says about Cairns or the industry in general, but I'm happy to report that the fateful move 20 years ago was the best decision personally and professionally that I could have made.

12 interest rate rises in a bit over a year, yet here we are... Cairns is hanging in there. Our three most recent house sales on the Beaches were properties that traded in the 18-24 months prior, and each sold off-market, for around 40% above the previous purchase price. These gains aren't uncommon. One of our team Alison Western just sold a house in Bentley Park for \$515,000 that would have traded for high \$300ks just a few years ago. As I have said many times over the last 6 months, the severe shortage of stock is keeping prices firm.

In amongst these stats are some less exciting results, but you have to look a little further back in history. 20 years ago, Harbour Lights was selling off-plan, and the prices achieved were incredible at the time. We have an apartment for sale that last traded for \$1.19m in 2007 that will be lucky to sell for any more today. Likewise, there are blocks of land at the end of Upolu Esp in Palm Cove that all traded for around \$1.5m in 2007 that aren't worth any more today. Even though we have had a solid 3 years of growth behind us, prices are still within the realms of reality and/or replacement cost in most cases.

Many buyers coming out of VIC or NSW ask us for disclosure statements for houses, which we don't have in QLD (we do have very basic statements for apartments). It's an odd system, where there is no onus on the agent or the seller to provide council rates, survey plans, easements, etc (even though we always do). That's all likely to change soon. Sellers will have to provide a full disclosure document that will likely form part of the contract, so extra complications (and costs) are coming, but I think the end result will be better for all parties.

One of the key strengths of being part of a large network that is known to be "premium", is that buyers come to us looking for a particular quality of property and agent, and it guarantees a level of trust that a sole operator may not be afforded in the first instance. Our network statistics for April are pretty amazing. Over 1,100 sales, of which 60% were houses, at an average of \$1.22m (\$1.45b total sales). It isn't all beer and skittles at the moment. I have a few properties that are sticking for a bit longer than I expected, and for the first time, there is some downward pressure from where some sellers hoped prices might lie. There is no doubt that it is trickier now than it has been in some months. I guess the big question is: will prices come off, or will we hold? I think we are insulated in Cairns, but negative sentiment will likely affect the market eventually.

As always, my phone is always on if you want to discuss: 0409 002 233



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Another month, another interest rate hike. Other than the pause in April 2023, the RBA's continued efforts to stifle inflation have heaped mortgage pressure on, and it's a watch this space scenario with the possibility of more to come. Although costs are increasing overall, the local tourism industry is picking up, with the Cairns Airport reporting increases in both domestic and international passengers this month. Tourism operators are preparing for further increases in international passengers when the Virgin Australia daily service from Haneda to Cairns begins at the end of this month. However, challenges remain in gearing up for the peak tourist season, with high online job vacancies and tight rental availability making it difficult to accommodate the necessary seasonal workers.

Is enough being done to address the housing crisis in Cairns? Is there enough urgency in tackling the complex issues of accommodating population growth?

The blunt answer is: probably not.

Cairns Regional Council is rolling out its *Towards 2050: Shaping Cairns* planning project but the timelines are painfully slow.

According to council's website, this strategic growth plan won't be "shaped" until September 2024, which means it'll be 2025 by the time it's adopted by Council to "inform the development of the new planning scheme". Of course, the state has a planning oversight role to play here as well. Issues such as managing urban sprawl, easing traffic congestion, boosting CBD living, promoting medium and high-density development (in designated areas) and focusing on suburban nodes should've been a priority focus years ago, even before the COVID-19 pandemic. We need a clear strategy for accommodating population growth now – the problem is already acute. Imagine the scale of the problem by the time council's strategy is finally in place in 2025.



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Cairns Report

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